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Empresas y en Economía**

TÍTULO:

**The Cooperative Management Model: The person as the fundamental axis of
organizational functioning.**

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MOTIVATION

The choice of studying the Cooperative Management Model, and more specifically that of the Mondragon Group, responds to a basic and personal interest in the management of the company, and, within this, to the study of an organisational and management model that has been fairly little studied and explained on a general level in modern management schools.

In addition to a very important family component, which predisposed me specially to study this model, I have been struck by the fact that a system with such an important impact on employment, knowledge creation and wealth creation has not had the repercussions that its figures really deserve. I therefore believe that it is extremely interesting to highlight in this Final Degree Project its foundations, its values and its way of approaching, in an alternative way, the management of an industrial, commercial, scientific and educational group of the stature of the Mondragon Corporation.

ABSTRACT

The aim of this paper is to briefly review the most used management models and then focus on a less popular but more based on the people model. In order to achieve this end, throughout this work we will analyse in a first chapter the most common management models, their strengths and, logically, also their limitations, with special reference to their main common denominator in terms of shortcomings: people as the centre of all business activity. Subsequently, we will present the Cooperative Model which is based on efficiency, as it must be carried out in a highly competitive environment, focusing on people and their satisfaction as the main lever for improving their competitive position. Afterwards we will analyse organisation that follows this model and is recognised as a reference for human and business success, the Mondragon Cooperative Group, to then go on to one of its main cooperatives based in Navarra - MAPSA S. Coop. - in order to show, from a practical point of view, its structure and organisation, thus reaching some brief conclusions that will serve as a final reference for the model. Finally, throughout a personal interview between the author of this paper and Mr. Íñigo Ucin Azcue, President of Mondragon Corporation, which we reproduce in full in the appendix - and which we also partially extract - we have been able to verify not only the importance of the "cooperative values" which inspire this management model, but also to extract experiences from professional life which have enriched the writer and which he hopes will also serve as inspiration to those who have had the opportunity to read it.

RESUMEN

El objetivo de este documento es examinar brevemente los modelos de gestión más utilizados y luego centrarse en uno menos popular pero más basado en el modelo del pueblo. Para lograr este fin, a lo largo de este trabajo analizaremos en un primer capítulo las más comunes modelos de gestión, sus puntos fuertes y, lógicamente, también sus limitaciones, con especial referencia a sus principales denominadores en términos de carencias: las personas como centro de toda la actividad empresarial.

A continuación, presentaremos el Modelo Cooperativo, que se basa en la eficiencia, ya que debe llevarse a cabo de forma altamente entorno competitivo, centrándose en las personas y su satisfacción como la principal palanca para mejorar su posición competitiva. A continuación analizaremos la organización que sigue este modelo y es reconocida como una referencia de éxito humano y empresarial,

el Grupo Cooperativo Mondragón, para luego pasar a una de sus principales cooperativas con sede en Navarra - MAPSA S. Coop. - con el fin de mostrar, desde un punto de vista práctico, su estructura y organización, llegando así a unas breves conclusiones que servirán como una referencia para el modelo.

Finalmente, a lo largo de una entrevista personal entre el autor de este trabajo y el Sr. Íñigo Ucin Azcue, Presidente de Mondragón Corporation, que reproducimos en su totalidad en el apéndice - y que también extraemos parcialmente - hemos podido verificar que no sólo la importancia de los "valores cooperativos" que inspiran este modelo de gestión, sino también para extraer experiencias de vida profesional que han enriquecido al escritor y que espera que también sirva de inspiración a los que han tenido la oportunidad de leerlo.

KEY WORDS

- Management
- People
- Cooperative
- Values
- Competitiveness

INTRODUCTION

Competing in the business world is a very complex task and one that is constantly being tested. To face this permanent challenge, companies have had to learn not only how to optimise their resources, but also how to interact with each other. The way to establish these interactions efficiently has given rise to different forms of business organisation that have finally taken shape in a more rigorous way - the so-called "Scientific Organisation" - which eventually led to different schools and models of Business Management.

The aim of this paper is to briefly review the most widely known and used management models and then focus on a specific model that is far less popular and studied at an academic level, but no less successful and in tune with the very essence of those who make up the base of organisations: people. In order to achieve this end, throughout this work we will analyse in a first chapter the most common management models, their strengths and, logically, also their limitations, with special reference to their main common denominator in terms of shortcomings: people as the centre of all business activity.

Subsequently, we will present the Cooperative Model, a different model, which is based on efficiency, as it must be carried out in a highly competitive environment, maintaining the emphasis on people and their satisfaction as the main lever for improving their competitive position. Immediately afterwards we will make an approach to an organisation that follows this model and which has been widely recognised as a reference for human and business success, the Mondragon Cooperative Group, to then go on to one of its main cooperatives based in Navarra - MAPSA S. Coop. - in order to show, from a practical point of view, its structure and organisation, thus reaching some brief conclusions that will serve as a final reference for the model.

At the same time, we would like to highlight and thank Mr. Íñigo Ucin Azcue, President of the Mondragón Corporation, for his collaboration. Throughout a personal interview with the author of this work, which we reproduce in full in the appendix - and which we also partially extract - we have been able to verify not only the importance of the "cooperative values" which inspire this management model, but also to extract experiences from professional life which have enriched the writer and which he hopes will also serve as inspiration to those who have had the opportunity to read it.

1 - WHAT IS A MANAGEMENT MODEL.

The concept of a management model is composed of the terms 'Model' and 'Management'. The former comes from Latin and, although used in different fields, in the business world it refers to the *theoretical framework of a system or a complex reality; in this case, the entity to be managed*. 'Management', on the other hand, comes from Latin too and corresponds to the function of administering, which means 'the carrying out of *procedures leading to the achievement of a business or any other desire*'. It consists of the correct selection and implementation of the procedures for the resolution of a problem or similar. (Sarania, Huaman, Julcarima and Salinas, 2013, p.6)

1.1. The different business management models.

As these models are theoretical frameworks and references for different projects, we currently have several different models with subtle differences in order to adapt to the particularities of each business environment. Here we summarise the characteristics of the seven most utilized management models: (1) functional, (2) process, (3) result-based, (4) 5's, (5) Baldrige, (6) EFQM and (7) competence-based.

1.1.1. Functional management model.

It is a model based on the observation of the workers' functioning. It was Frederick Winslow Taylor who, by observing them, drew a number of conclusions about their behaviour such as the fact that employees are not always stimulated by additional economic incentives, that their skills were not the main criterion in assigning them to factory work, or that managers were more like military personnel than data-based decision-makers. Based on these, he formulated four principles (Sarania, Huaman, Julcarima and Salinas, 2013, p.7):

- Replacing practical rules with scientific precepts.
- Obtaining harmony, instead of discord.
- Cooperation instead of individualism.
- Scientific selection, education and development of workers.

Henri Fayol continued with these observations as one of the great authors of administrative theory, assuming that this could be applied to all types of human organisation, as well as affirming that the company could and should be divided into functional areas.

For him, the functional areas in which to divide the company would be the following (Sarania, Huaman, Julcarima and Salinas, 2013, p.8-9):

- Technique: Production
- Commercial: Purchase and sale
- Financial: Use of capital
- Accountant: Inventories
- Security: Protection
- Administrative: Correct use of resources.

In addition, it would have a series of stages for its correct implementation:

- a) **Planning:** This is the stage where the objectives and the means to reach them are established.
- b) **Organisation:** This consists of assigning specific managers or teams of managers to the different tasks within the plan.
- c) **Management:** It brings together the processes of motivation and influence on the workers to achieve the objectives.
- d) **Coordination:** All the processes of harmonization of the different inputs, both tangible and intangible, to achieve the output.
- e) **Control:** This is the last stage in which the functioning of the previous ones is evaluated to assess the achievement of the objectives.

1.1.2. Process management model.

This model is strongly conditioned by the framework in which it is developed as it emerges in ruined Japan after World War II. W. Edward Deming was sent to Japan as a trainer to respond to the needs of the Japanese to rebuild their country and to discard the reputation of being a producer of second-rate products for which the following principles were formulated (Sarania, Huaman, Julcarima and Salinas, 2013, p.12):

- Creation and communication of the organization's vision, purpose and mission.
- Learning and adopting the general philosophy.

- Avoid subjecting subjects to mass inspection as a measure of motivation for productivity.
- Price will not be the only factor considered when making a purchase.
- To perfect, through continuous quality improvement, the production and service systems.
- Establish on-the-job training.
- Promote, teach and institute leadership.
- Combat fear by fostering an organizational climate that favors motivation.
- To break down the barriers that exist between the different areas of the organization.
- Eliminate slogans, exhortations and purely numerical targets for workers.
- Eliminate production standards and numerical quotas, replacing them with continuous quality improvement.
- Remove obstacles that conspire against workers' pride in having done a good job.
- Institute robust education and retraining programmes.
- Take action to achieve organizational transformation.

The model also consists of a series of stages:



Image 1: What is Plan-Do-Check-Act Cycle? (n.d.) – Retrieved from: <https://kanbanize.com/lean-management/improvement/what-is-pdca-cycle/>

- Planning:** A project needs to set the objectives of the project taking into account the wishes of the customers to ensure the highest possible quality, as well as considering the conclusions drawn from the available indicators. Possible barriers must also be taken into account, as well as the responsibilities of the project itself.
- Execute (do):** Putting into practice what has been planned.
- Check:** Evaluate the consistency of the design and pre-determined hypotheses.
- Act:** This is a process of checking the improvements made by each measure in order to maintain it, if so.

1.1.3. Results-based Management Model

The results-based management model is a management approach that seeks to increase the effectiveness and impact of the organization's policies through greater accountability of staff members for their management results (Sarania, Huaman, Julcarima and Salinas, 2013, p.14). This model was formulated by Peter F. Drucker in an environment where companies faced shrinking profit margins and managers were under great pressure to avoid these reductions. This system was created in response to this problem and to establish certain margins and results, as well as the means to achieve them. It seeks to unite both elements in the best possible way.

This management by results has a series of principles, which must be realistic and with correctly defined beneficiaries and their needs. In addition, the processes must have a high degree of traceability in order to be able to evaluate each part and step of the process while identifying the different risks assumed according to the desired results. Moreover, as with any project, it will involve a certain amount of trial and error, so it will be necessary to draw learning conclusions from the latter. Finally, and for the correct implementation of the model, all the mechanisms mentioned above will have to be continuously exposed in reports on which future decisions can be based.

The main advantages offered by this system affect first of all the management which has more means to establish the goals while seeing how the communication with the rest of the organization improves. It also clarifies objectives among workers, which helps to guide their work and increases the degree of fairness in evaluation by segmenting results into different parts.

1.1.4. 5's model.

This model was born in the Toyota factories in the 1960s, seeking greater organisation and cleanliness as a way of increasing productivity. It seeks to eliminate everything that is superficial and unnecessary in order to maximise order which maximises productivity. It is also based on the worker's vision of their work as something to be proud of.

The 5 s correspond to the following Japanese concepts (Sarania, Huaman, Julcarima and Salinas, 2013, p.17):

- Seiri: The **classification of** resources and the withdrawal of those considered unnecessary.
- Seiton: Establishing the **order of the** elements, as well as their spatial arrangement in an efficient manner.
- Seiso: To provide the **cleaning** company with the guarantee of perfect conditions of the resources.
- Seiketsu: **Standardisation**. Identify normal and disruptive situations.
- Shitsuke: Maintaining **discipline**.

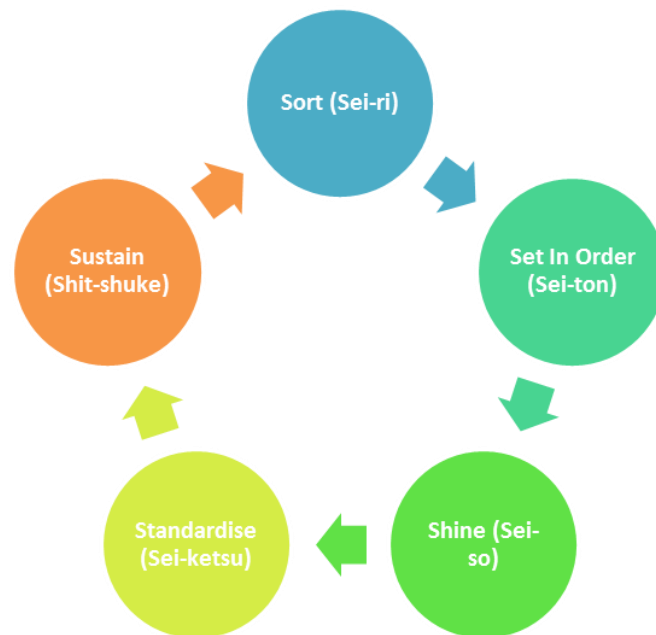


Image 2: 5 S Methodology Explained (n.d.) Retrieved from: <https://www.whatissixsigma.net/5s/>

1.1.5. Malcon Balbdrige model.

It was born as a response to the Japanese boom with a view to excellence as a catalyst for competitiveness in international markets. It is a tool for the evaluation, improvement and planning of a company's total quality management (Sarania, Huaman, Julcarima and Salinas, 2013, p.19-21). It is results-oriented and consists of the following 7 categories:

- a) **Leadership:** the ability of senior management to address their subordinates from the perspective of high social responsibility.
- b) **Strategic planning:** The processes for establishing plans to address customers, their expectations, the competitive environment, human resource capabilities, infrastructure capabilities, technology, research and development and supplier capabilities [9].
- c) **Consumers and the market:** This is the point in the process where the needs of the market are analysed, as well as the relations with the market. This is where future requirements are anticipated and business opportunities are developed.
- d) **Measurement, analysis and knowledge management:** This is the selection, collection and analysis of information.
- e) **Human resources:**
 - a. Work systems (communication, cooperation, knowledge...)
 - b. Education and training
 - c. Personal development and well-being.
- f) **Process management:** Analyses the organisation's management processes, including all those considered key.
- g) **Results:** It is the most relevant and evaluates customer satisfaction, market perception, the situation with stakeholders and the achievement of objectives.

1.1.6. EFQM model.

This model was created within the European Foundation for Quality Management (EFQM) and establishes the criteria applicable to all types of institutions for efficient management. It consists of 4 stages (Sarania, Huaman, Julcarima and Salinas, 2013, p.26):

- a) **Results:** what the organisation achieves by showing positive trends in an excellent organisation.
- b) **Approach:** What the organisation intends to do and why
- c) **Deployment:** What the organization does to implement the approach
- d) **Evaluation and Review:** What the organisation does to evaluate and review the approach and its deployment.

1.1.7. Competence-based management model.

Conceived by David Mc Clelland after observing the degree of competitiveness in today's world transformed by information technologies. It is based on competencies which are defined as 'underlying characteristics of an individual that are causally related to a standard of effectiveness and/or superior performance in a job or situation' (Sarania, Huaman, Julcarima and Salinas, 2013, p.26).

This model is usually represented with the 'iceberg model' counting the visible area (the easily identifiable) and the non-visible area where its elements are more difficult to identify as the core of the personality. Therefore, the competence model describes behaviours and skills to be applied to individual and organisational success. In order to apply it, the different responsibilities within the organization are analyzed, personnel are selected based on their competencies and their subsequent performance is evaluated. In addition, the future development of those involved in the company, their career plans and their subsequent succession are established, also based on the different competences.

1.2. Shortcomings of current models

It is interesting to note, among the models previously presented, the clear vision of the company from a prism oriented towards mainly economic results and maximising efficiency in the different production stages. These objectives, in a situation where the pre-crisis levels are getting closer and closer, we can conclude that, in terms of their intentions related to results, these models are successful.

But when we look at the employment generated by this profit-oriented economic activity; its sustainability can be questioned. This problem is set out in the study 'Talent and quality of employment: What is the experience of human capital in Navarra?' (Bayo, Huerta y Merino Díaz de Cerio, 2009). In this study, Upna professors Alberto Bayo, Emilio Huerta and Javier Merino Díaz de Cerio analyse the quality of employment in our region. For them, the economy as a whole can only progress if we take into account that future prospects will be conditioned by the quality of the human resources available. That is why education by the public sectors will have to aim at covering all human dimensions. On the other hand, in the private sphere, people will have to be considered as the centre of all decisions, which is not the case in the previously mentioned management models, which transmit the vision of the

worker as another 'input' in the value chain, whose performance will therefore have to be maximised. In fact, according to Mr. Íñigo Ucín human dimension is a differential factor: *“In fact, the "cash" part of the compensation for managers is more interesting elsewhere, but non-monetary compensation is also very important. For me, the cooperative group, the way of acting, the values, the people... have motivated me not to change.”* (Íñigo Ucín, interview in Mondragon, September 30th, 2020)

Section 3.2 of the article mentions elements that currently characterize work organization and worker participation, as well as new trends. One of these new trends would be the reorganization of the workforce into work teams to avoid the problems of bureaucratic organizations where each task is separated into small tasks to be distributed among different units. In this case, the team would be in charge of solving the problems in a more cohesive way. But this system also has hidden risks such as the possibility of observing 'stowaway' behaviour or an unequal burden between team members.

In relation to the stowaway problem, we find the concept of worker autonomy as an element extensively studied in the economic literature. This autonomy may be greater or lesser depending on management decisions, but, in any case, the risk of opportunism is latent. However, an advantage is also mentioned: it offers a better use of the information available without it having to go through the traditional channels of information of companies.

The intention of these actions is to communicate to the employees the objectives of the organization, the competitive positioning of the company or the definition of the internal structure. The aim is for employees to better understand the reasons behind the business decisions taken by management and thus achieve greater commitment to the organization.

Bayo, Huerta y Merino Diaz de Cerio (2009)

As has been explained, the study in one of its chapters has highlighted the advantages of teamwork, worker autonomy, transparency of information and, very importantly, the understanding of the motivations for management decisions as ways of improving the quality of work. However, if we wanted to implement some management model in which we could combine the advantages mentioned, we would see that in no case could we cover them all. And it is precisely the dissatisfaction with existing business models that gave rise to the cooperative model in the 20th century. Once again, this becomes a key factor according to Mondragon's President: *“Not only does management have to move, each and every one of the people has a responsibility ... And precisely for this reason, the company needs the involvement of each and every one of the workers ... insofar as the partner identifies with his company and takes part in the decisions and results,*

the company's successes will also be those of the worker. This is the key". (Íñigo Ucin, interview in Mondragon, September 30th, 2020, see Annex 1)

We could think of other management models with which to position the person at the centre of the corporation and change the perception of the company as a mere remunerator of capital, such as those that have recently begun to be applied in 'Silicon Valley', which seek to promote the total autonomy of workers, as well as encourage their creativity by breaking with traditional standards of hierarchy, timetables, etc. However, this system has recently been called into question and, in a certain sense, outside the "tech" world, the gap that cooperatives are trying to fill in terms of management models could hardly be filled by these new initiatives. In fact, we can see it exposed in 'The Economist' interpreting a report by Steelcase.

The Global Study on Informal Working Spaces, presented by Steelcase these new configurations are less productive. The consultant explains that the latest studies on offices show that many of these new and improved spaces are empty because workers do not use them. The reason is simple: people do not choose furniture such as designer chairs or pouffes to work as often as work tables and chairs, which end up being more useful. Because, according to the Steelcase study, people admit that they go to work to do their homework, not to play. So, while it is good to include certain places to relax, these should be used precisely for this purpose, as the furniture designed for watching television, relaxing while reading a book or for leisure plans is not the same as that needed for working with computers, holding meetings or collaborating with colleagues. All this means that areas that have been created with the intention of expanding creativity and collaboration may be inhibiting it. (Vega, 2020)

As we can see, trying to implement partial changes on where to position the person within the organisations may not be efficient as Steelcase points out. This is where a priest assigned to the town of Mondragon in Gipuzkoa, Father José M.^a Arizmendiarieta, already in the 1950s, proposed an integral solution to merge the company with its workers, developing a cooperative management model to guarantee the sustainability and well-being of all the participants in the project and not just the capitalist partners.

1.3. The Cooperative management model – The concept



Image 3: The Cooperative Management Model. Retrieved from: 'The cooperative management model - Mondragon Corporation'

Cooperatives, despite having a different regime, have the same challenges and conditions as the rest of the companies in the market. For this reason, their continuous adaptation is fundamental, taking into account and valuing all the people who make up the company, not only workers but also the owners of the company. These companies are based on a cooperative identity based on permanent communication, self-management, participation and the integral development of the people who make up the company on the basis of a Shared Project. Likewise, it seeks business management related to customer orientation, process management, innovation, the development of alliances and, above all, involvement with the environment (Miret, n.d.). At the same time, it frames this management in the following values and principles:

Values:

- a) Solidarity
- b) Mutual Aid
- c) Equality
- d) Equity
- e) Responsibility
- f) Democracy

Principles:

- a) Voluntary Association
- b) Democratic Management
- c) Economic Participation
- d) Autonomy and Independence
- e) Education and Training
- f) Cooperative Integration
- g) Concern for the community

1.3.1 The person as the fundamental axis of organizational functioning

This model is a 'people-based model' as it is based on the participation of all the partners in the company's day-to-day operations. This implies a 180-degree turnaround from previous management models and maximises the integration of people in all areas including management, labour, capital and surplus. This involvement of all its members has as a binding link the vision of the company as a shared project common to all its members which encourages the willingness to contribute both knowledge and effort and sacrifice on the part of all.

In any case, this vision runs the risk of being forgotten or becoming obsolete in relation to the new objectives of its members and must therefore be subject to continuous evaluation and revision in order to maintain the 'cooperative identity' as a common axis and this can only be achieved through open forums for member information and demonstration such as informative talks or members' meetings. Once the vision is clear and shared by the members, it can be implemented and an alternative organization to the traditional models is used. Self-management and participation are the means by which it is guaranteed that common interests are respected. To this end, transparency, access to information and cross-cutting communication are crucial. To achieve this end, the structures become more horizontal, discarding more hierarchical visions of the structures in order to seek the self-organisation of the units by seeking a shared and participatory leadership.

This self-management, contrary to what it may seem, is not based on the different particular initiatives that arise among the members of a company, but, as in companies of conventional models, common objectives are established with clear aims to guarantee the competitiveness of the project considering totally conventional business elements such as innovation, customer focus, quality, development... And once all the units have a clear idea of the situation, it is when they are used in an autonomous and non-hierarchical way, to achieve a common objective.

This has a direct impact in adaptation and flexibility of Cooperatives integrated in Mondragon Group, *“The Group has the advantage that each company is a Cooperative, which means that it is possible to establish mobile calendars, holiday travel, salary reductions, capitalisation of pay, etc. In short, greater flexibility. But in addition to the mechanisms of the cooperatives themselves, the whole of Mondragon has other solidarity mechanisms; mainly based on the fact that the companies that earn money*

leave part for those that lose. This is done through the reconversion of results by division.” (Íñigo Ucín, interview in Mondragon, September 30th, 2020)

The results sought through this model have several dimensions:

- a) The people
- b) The community in which the project is developed
- c) The clients
- d) The cooperative itself

2 - THE COOPERATIVE MANAGEMENT MODEL

It is the only model that was purely born with the will to promote solidarity and internal democracy at all levels of the organisation by integrating people into management, seeking the success of the company as the success of each of its members in a highly competitive and efficient framework.

As mentioned in section 1.3.1, this model takes as its centre and object of consideration not only the people who participate in the organisation itself, but also the projection it makes on the environment.

In this sense, the Mondragon Group, whose central nucleus is just 100 km from our city, Pamplona, and which we will discuss in the next chapter, is not only the best example of this model, but also the one which has played a leading role in its creation and development up to the present day.

2.1. Why a management model of your own?

Mondragon cooperative was born with a vocation for change with respect to the management options existing up to that time. For this reason, innovation is compulsory to guarantee efficiency and coherence with the values to be implemented in this new project. From the outset, the Corporation is expected to be oriented towards each component of it and therefore the model has to see them both as a means and an end to its objectives. However, for this to succeed, it must be assumed by all its members. Going further, we find that the need for this very particular model is already present in the very Mission of the

Corporation: *'Mondragón Corporación Cooperativa is a socioeconomic reality of a business nature with deep cultural roots in the Basque Country, created by and for people, inspired by the Basic Principles of our Cooperative experience, committed to the environment, competitive improvement and customer satisfaction, to generate wealth in society through business development and the creation of employment, preferably cooperative'* (Mondragon Corporation, 2012)

Therefore, if there is a real will to maintain this mission, a different and coherent management model must be applied. As mentioned above, the model has to be effective in guaranteeing the competitiveness of the companies concerned, but, as a novelty and complement to guarantee this competitiveness, a model is needed that generates a 'feeling of belonging' in which workers are part of something that involves them personally, seeking collective benefit for individual benefit. Furthermore, unlike what happens in other corporations, this model starts from the different realities of each of the cooperatives as an enriching factor and without any pretensions to homogenisation but rather with the will to cultivate these particularities in order to generate new ways of synergy.

In order not to divert this revolutionary concept from its objective, it is also necessary to be clear that it is not the proper management model to avoid errors. For this reason, the idea of it being a 'Congress Standard' or an 'instruction manual to determine the criteria for action in each situation is rejected. Nor can one fall into the innocence of thinking that this model, having succeeded in certain areas, is going to be the key to success without assuming the personal involvement it requires, nor can it be a policy with an expiry date for obtaining specific benefits but rather a philosophy applied to each area of the company.

The best way to understand not only the model itself, but also the reason for its success, is to begin precisely by explaining its birth, which basically contains an old Spanish adage: "to make a virtue out of necessity". We will now detail its historical evolution.

3. MONDRAGON CORPORATION

Currently, the Corporation is a success story in the application of the Cooperative Management Model as an objective and means, having been able to apply them in a heterogeneous set of different sectors, but without losing focus on what they really consider important: people.



Image 4: Headquarters of the Mondragon Corporation. (Armendáriz, 2018) Retrieved from: <https://navarracapital.es/la-corporacion-mondragon-cierra-un-ano-positivo-en-empleo-facturacion-y-ventas/>

3.1.1 The origins of the Corporation

The Corporation was born in the town that gives its name to the group: Mondragón. This town already had a long metallurgical tradition since the Middle Ages before the group was founded. It was this tradition that gave rise to what became known as the 'Unión Cerrajera' at the beginning of the 20th century. This was a locksmith's company that employed a great deal of technology for the time. Thanks to this small company, small industrial initiatives began to emerge around it from the former workers of the 'Unión Cerrajera' who decided to go their own way by using the Union's workforce as they already had the appropriate manpower and experience. As the industries and the 'Unión Cerrajera' itself grew, the technical needs grew in the same proportion, and the techniques acquired in the companies' day-to-day work became obsolete. This led to the creation of a new educational institution: the 'Escuela de aprendices' (Apprentice School), which prepared young people with the

prospect of incorporating them into the surrounding companies. The initial student body was modest; only 12 young people per course in 4-year modules, but this guaranteed them a great deal of training.

At the end of the Civil War, Mondragon was immersed in a climate of social tension that ended up dividing society, and more so with the political involvement of the town's residents. However, it was thanks to this rarefied atmosphere that what is known as 'The Mondragon Cooperative Experience' began, with Father José María Arizmendiarieta appointed as the town's parish priest.

3.1.2 Year 1941

At that time the population was barely 9000 inhabitants who, after the war, were subjected to the shortcomings resulting from a conflict such as the one that took place. Two sides were created in which a clear difference could be seen between those who were considered 'winners' of the war and those who were 'defeated', reducing to a minimum the solidarity between neighbours even when the situations of poverty were extreme. And it was this Mondragon that Arizmendiarieta reached.

That reality, far from discouraging him, led him to direct his efforts to overcome the difficulties by seeking activities that would make solidarity work possible through the organizations of the Church. These initiatives, which had been taken under the protection of the Church, which had a certain moral authority on both sides, resulted in a certain permissiveness on the part of some, with control by the civil and military authorities being less burdensome than for other social institutions [...]. (Arizmendiarieta, (n.d.), p.14)

He began by seeking the commitment of young people to the community through sport and culture, but also by sowing a seed of service to his community. He did this through effort and hard work, repeating incessantly that '*People grow in adversity and weaken in fortune*'.

But it was not easy for Father José María. Not only was the town politically divided, but education was accessible only to a privileged few like the children of the 'Unión Cerrajera', leaving little room to dream of going to university. The rest were condemned to work as unskilled labour in the 'Unión Cerrajera'. In the face of this, the father found himself with two different positions to deal with the situation. The first was that of those who were not suffering great hardship after the conflict and did not see the need to provoke confrontations over their demands. The second were those who did not generate conflict either, but because

of their position of 'lamenting' rather than 'problem solving'. Arizmendiarieta and his followers looked for an alternative way to these positions: the way of democracy, solidarity, self-management and education, these being the values that led to the creation of the 'Cooperative Experience', changing things through action and involvement through 'solidarity work'.

3.1.3. The protagonists

The main protagonist, without a doubt, was Father Arizmendiarieta as he was the main driving force behind the motivation of the young people who carried out the project. His character was particular. He saw his religious formation interrupted by the conflict. During this time, he worked as a writer in Basque for the Republican side and later finished his studies at the Ejelabeitia Castle Seminary. As we have been saying, his character was particular and, from his point of view, *'the concept of work, both an instrument of personal self-realisation and a transformer of Nature, surpasses the old concept of divine punishment and, consequently, opens up a new path that offers human progress through self-realisation, self-esteem and creativity'*. [...]. *For Arizmendiarieta, man was the beginning and the end of economic activity and not a means.* (Arizmendiarieta, (n.d.), p.17)

Together with Arizmendiarieta, there were several groups that set up the Co-operative Experience and among them we would find the YCW (Young Catholic Workers) and HOAC (Brotherhood of Catholic Action Workers) who took their initiatives to the rest of the population through activities such as sport or similar, but always seeing the material at the service of their environment in order to bring about change in their community. In addition to this sporting group, a cultural one was also set up, organising performances or horse rides as well as promoting the Basque traditions and culture.

3.1.4. The method.

The father had a way of working that was different from anything seen in the area so far as he sought to make the young people self-sufficient in undertaking the projects. He sought this self-sufficiency in all areas, from financing to construction, leaving them free to decide how to develop their ideas. But, far from being naive, it still provided the means to increase their training and to be able to aspire to greater goals with greater social impact. *It is, in short,*

the most fertile training process of all: with practice, through constant and progressive learning towards increasingly ambitious goals' (Arizmendiarieta, (n.d.), p.17)

Through each of the social initiatives which, apparently, had nothing to do with the future cooperatives, the foundations were laid to generate a favourable climate of social awareness to implement this management model, taking as an example the Anti-Tuberculosis Service which emerged and which would later influence health care around the cooperatives to improve the conditions of the members.

3.2. The priest José María Arizmendiarieta - Motor and Mentor

If we wanted to have an idea of who the priest was, of which we have already introduced several points of his character, we could base ourselves on his biography written by Fernando Molina as a way of understanding how the 'Cooperative Experience' is nothing more than a reflection of an individual attitude, brought to the company. In this sense, and as we have introduced before, the truly remarkable stage begins in 1941 with the beginning of his apostolate. He joined the town as parish priest of the church of San Juan Bautista in Mondragón and from then on, his influence was decisive. However, the real turning point can be found in his vision of 'Christian socialism'. It is thanks to the transfer of this vital vision to the company that the 'Cooperative Experience' was born and, therefore, we can understand it if we understand the figure of José María Arizmendiarieta.



Image 5: José María Arizmendiarieta (Aldanondo, 2015). Retrieved from:
https://www.naiz.eus/eu/hemeroteca/gara/editions/2015-12-09/hemeroteca_articles/jose-maria-arizmendiarieta-el-hombre-cooperativo

Arizmendiarieta was a young counsellor and was proud of it. In fact, his desire was that the work of these young people should be as public as possible by publishing, even in bulletins,

the summary of expenses of each activity as a way of being able to claim new contributions in the most transparent way possible.

Apart from his economic claims, José María had great social claims. In a climate in which the Church denounced the situations of deprivation after the war and the social differences it also caused, certain goodness of communism related to the distribution of wealth was even recognized. Arizmendiarieta also oriented his speeches towards a line closer to the social base, which made 'Catholic Action' associated with these ideas, generating a certain rejection in some layers of society. For Arizmendiarieta, this identification was nothing more than a way of putting himself in the place of those to whom he preached. His social will went beyond that. He did not seek to help the most vulnerable layers only through professional training, but he saw in this training and the proposed leisure activities an escape route from all the vices that free time and the social situation could bring. In different forums, he defended the fact that the construction of the healthy social base he proposed had to be supported by the 'elite of technicians' in the companies, based on what was already taking place in Mondragón with those professionals who had been trained at the professional school years before and who had already joined the companies in positions of responsibility.

Arizmendiarieta, however, was not considered 'normal' among the clergy. His critical thinking and love of reading led him to read things that were unorthodox for a person like him at the time. Among his readings were the 'red bishops', who were characterized by their new ideas about the times. This reading occupied a large part of his free time and provided him with continuous intellectual growth. For him, this reading was a way of enriching himself by not vetoing authors such as Marx and Engels, as was done by certain sectors of the Church, even by reading 'The Manifesto'. This reading increased his interest in Marx's postulates which had a great influence on his homilies encouraging everyone who would listen to him to develop critical thinking. Although this intellectualism might seem to be only theoretical, he clearly tended to read about those who put forward practical ideas of social change by moving away from even the most widespread theological literature and towards the social-Catholic one.

In the five years following the end of the World War, the social question would become independent of that doctrine, its core would no longer be the problem of faith, but the question of property, until it reached a social thought of its own, which would then take shape in the cooperatives around 1950. In those years it would have acquired a 'more economic vision of society, in which the factory would replace the family as the nucleus of the social fabric'. (Molina, 2005)

For Arizmendiarrrieta, this made the factory an environment of evangelization and social construction. At the same time, he gave a lot of importance to the family and, in every decision in the factory, the family was at the centre. As mentioned before, apart from the family, the youth was another of his great objectives to change society by seeking an integral education based on social freedom and human dignity proposed by Christianity.

3.3 'Caja Laboral Popular'.

The creation of the 'Caja Laboral Popular' was a continuation of the phenomenon that was developing in Mondragon. Shortly after the start-up of 'Talleres Ulgor', Arizmendiarrrieta began a campaign to convince people of the need for a credit cooperative to finance new projects under the cooperative umbrella. This was born as a response to the financial ignorance of those who had already embarked on the industrial projects at the same time as the numbers of these companies were more than satisfactory.

On 24 September 1959, Caja Laboral Popular was finally set up with the aim of increasing the region's possibilities through cooperativism.



Image 6: Caja Laboral Headquarters - Euskadiko Kutxa (Mondragón). Retrieved from:

<https://blog.laboralkutxa.com/presentamos-sede-central-laboral-kutxa-sostenible-responsable-medio-ambiente/>

3.3.1. Beginnings

The savings bank's commercial activity began with a small office in Mondragon, and a year later it bought a building from the San José Cooperative, although there were still not many deposits available and there were many financial institutions in the Basque Country at that time.

The formulas of cooperation applied allowed to maintain an entity without capacity to grant credits more than to the associated cooperatives, by legal definition and decision of its internal policy. However, between 1964 and 1989 the average annual growth rate of the Fund's resources was 37% and that of the Group's sales was 26%, making a substantial change in the Fund's capacity to finance the Group in 25 years' time. (Molina, 2005)

Even with the delicate situation in which it was born, the trust placed in this entity from the very beginning by the cooperatives was total and they redirected all their financial activities to Caja Laboral, moving away from the rest. However, all the activities carried out were from a position of full competitiveness with regard to the banking market, motivated by the need for competitiveness itself but also by the strict regulations.

The growth of the entity was boosted by the cooperative feeling of the workers and partners themselves, since the objectives set from each branch were now perceived as personal objectives for each of them. They carried out very particular marketing strategies such as bonuses for customers when they met a series of objectives. In fact, these accounts were very attractive to savers as they provided up to 2% interest in 1966, a figure which grew over time. But more than these savings accounts, Caja Laboral focused on work and hence on the name 'Laboral' and how to help workers with their private finances in response to the confidence they had in the institution. By 1970, the Caja's surplus had increased by 1200%. (Ormaetxea, (n.d.))

3.3.2 Consolidation

The consolidation of the entity comes from 1971 being able to be the real financial arm of all the activities of the group. It had the advantage that the credit cooperatives which were so successful in Europe had not been able to adapt to Spain and so Laboral Kutxa was able to make a place for itself in this environment. This success in penetrating the market was ratified by the obligatory inspections by the Bank of Spain to which the savings bank was

subjected, where the good management by the members was certified. In fact, Caja Laboral's presence in all deposits in the Basque Country was already 5.6%, with 102 branches in 1980 and total economic autonomy. Its growth was such that the institution's resources were close to the group's total sales.

3.3.3. The 1980s

The oil crisis marked this decade without a doubt limiting the growth forecasts of the national economy, as well as the increase in unemployment rates, particularly in the Basque Country due to its industrial exposure of 25%, putting CLP in front of great challenges to alleviate this situation. Lagun-Aro offered the "employment aid" package and Laboral Kutxa lowered the price of the money they offered as an incentive to new cooperative initiatives to reactivate job creation. This aid, as well as the bankruptcy of several companies, represented up to 16,000 million pesetas for Caja Laboral but they were able to take it on and still maintain positive returns; low but positive. But thanks to this, among other actions, the group's companies were able to create employment until 1987 when the whole of the Basque population saw its number of unemployed increased by 150,000 new unemployed. *"Very important is also the Lagun Aro system which, apart from covering health care, temporary incapacity, etc., has the instrument of unemployment coverage. In fact, it is called 'employment assistance'. It works in the following way: if there are too many people in a cooperative and another one is lacking, those who don't have work in one leave the cooperative and relocate wherever they need to. If none of them are in need, unemployment is also covered or reduced hours are given, holidays are moved, early retirements are taken, etc. This means that, in difficult situations, cooperatives can make adjustments more flexibly."* (Íñigo Ucin, interview in Mondragon, September 30th, 2020)

This situation offered a dose of reality for CLP and led it to create the 'Special Insolvency Fund' to cover its risk exposure, but, thanks to the new world situation, the risk in the market was reducing, leading Spain to 5% GDP growth. The banking market also underwent restructuring and, after this and the elimination of the financial supply to the institutions that suffered most from the crisis, Caja Laboral now represented 20% of total deposits in Spanish credit cooperatives.

As the Fund's profitability was already so assured, new fronts were opened and these were mainly the financing of housing and educational cooperatives (ikastolas). But they also opened up to individual credit, reaching 1990 with the following figures:

Caja Laboral Popular in 1990 (millions of pesetas) (Ormaetxea, 2003, p.56-65)	
Sales of the Associate Group	299.231
Exports	54.808
Staff	22.860
Surplus	10.631
Creditor Balances	311.112
Total Liabilities	397.452
Capital + reserves <i>(without accumulating the results of the financial year)</i>	28.384
Guarantee Coefficient	9.81%
Net Surplus	5.575

3.3.4. Business Division



Image 7: Logo Humanity at Work. Source: <https://www.esmartcity.es/mondragon-corporation-destac>

It is part of the support to the management plans of the cooperatives acting on the Member Group. This gave rise to new cooperatives that are now crucial for the Mondragon Group: Copreci, Ederlan, Arrasate, Lana, Soralue and Eroski. To consolidate this new division, the following was said:

The business section must be autonomous and must be set up as the management of a second-degree cooperative and, of course, no longer be called the Business Section, but with the name determined by the cooperatives that form the Industrial Complex that will be integrated or federated' (Ormaetxea, 2003, p.56-65)

Six main areas were created: Industrial, Urban Planning, Study of Production Plants, Promotion of Sectors, Labour Relations and Studies.

3.4. Ausolan. Women in the Mondragon Cooperative Experience

The creation of this company was nothing less than the confirmation that José María's dream was something revolutionary and with the intention of truly bringing about the universal change sought since the beginning of the experience. Arizmendiarieta was able to show the integrity with which he applied his theories precisely because he wanted to integrate all people, not wanting to leave anyone behind, and so he also thought about women at a time when it was normal to see women forced to withdraw from the world of work when they got married to serve their husbands. Thanks to this integrity, 'Ausolan' was born in 1969 as a catering company for employees of other companies and industrial cleaning. It was between 17 women and Father Arizmendiarieta that the project was launched. They set it up as a worker cooperative in order to make use of the benefits of worker representation in this model through universal voting. Thanks to this initiative, these 17 women were able to maintain their maternal role in their respective homes, as well as not be drowned by it, and be able to develop individually.

This initiative is so important that the same philosophy has been applied to the present day and the company has grown to 13,000 workers, 95% of whom are women as well as a female representation of 71% on the board of directors., something that is not happening in similar positions in other companies. Thanks to this solidity of principles and the work carried out, Ausolan has become what it is today. Having been born in Mondragon, it has been able to spread sustainably throughout the country with 17 offices and 16 kitchens working in a dynamic market offering proximity, novelty and quality. It should be noted that its presence is not only national, but that since 2016 it has begun its international expansion strategy with 'Ausolan Pays Basque' in France, two years later it landed in Chile and is setting itself new challenges from the point of view of respect for the traditions of each potential country to be reached.

Today they have been able to demonstrate that the integration of all types of people in companies is possible, since, swimming against the tide at that time, they looked for a focus of talent in women, until they reached a company that marks the business line of the

Cooperative Experience and that by itself, 'Ausolan', is capable of turning over 230 million euros, employing more than 13,000 people and feeding more than 260,000 people a day while being solid enough to allocate 10% of the results to solidarity by participating in more than 100 different projects. (Ausolan Website)

3.5. Mondragon Corporation today

Today we can find a great ambassador for the social economy and the cooperative world in the Mondragon Corporation, where all the integrated companies are governed by the cooperative management model. The Corporation is a clear example of the success of the cooperative model at both a human and social level, as it is currently present on all 5 continents with 266 companies distributed among them. These cooperatives are also distributed in four different and very diversified sectors, which proves that the model, apart from being socially responsible, is very versatile. It is present in finance with 'Laboral Kutxa' at the head, in industry with companies as important as 'Fagor Ederlan', in distribution with 'Eroski' and in knowledge with its own university, the 'Mondragon Unibertsitatea'.

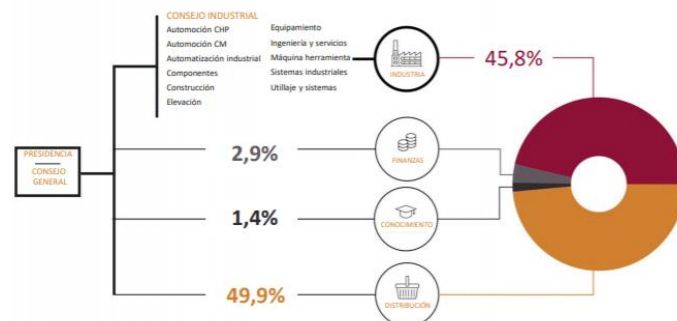


Image 8: Mondragon Group figures. Retrieved from: <https://www.mondragon-corporation.com/sobre-nosotros/>

If we needed more proof of the success of this model based on people as the axis of all activity, it would be important to highlight such large figures as the 80,818 workers it has, the 11,280 million euros in turnover, investments worth 451 million euros or the EBITDA of 1021 million euros.

Because Mondragon is cooperation. A sum of people who multiply. Normal people who, together, do extraordinary things' (Mondragon Corporation)

The Mondragon Corporation is like a miniature country. Almost half of the jobs are occupied by members, who pay an entrance fee to acquire this status. This fee can be around 15,000 euros. Each member has one vote and has the same weight as the most senior manager. To be a co-operative member is to be there for good or for bad, as happened in the Fagor Electrodomésticos crisis, when the salary had to be lowered to cover the hole. ' (Azumendi, 2009)

The 'Humanity at work' philosophy is something they are very proud of because, as they say on their website, it *'encourages the participation and integration of people in the management, results and ownership of companies. The protagonism of people, cooperative work and inter-cooperative solidarity is what the group's motto tries to reflect'*. (Mondragon Corporation, Website)

3.6. Adaptation of the Cooperative Management Model to the Mondragon Corporation



Image 9: Cooperative Management Model.

Retrieved from: 'The cooperative management model - Mondragon Corporation'

As we can see in the image, the model adopted and adapted by the Corporation can be represented by a circle whose central axis is the 'Basic Principles' which provide the next level, 'the cooperators' the guidelines for behaviour to develop the next level, 'the shared

project' through a 'participatory organisation'. We must not forget that the cooperative experience takes place in a complex environment since the market in which it is developed includes numerous actors such as competitors or clients, but, if the other levels of the circle have been correctly taken into account, the 'business excellence' of the last level can take place and thanks to that, obtain results in accordance with the business excellence.

3.6.1. Basic principles in Mondragon's management

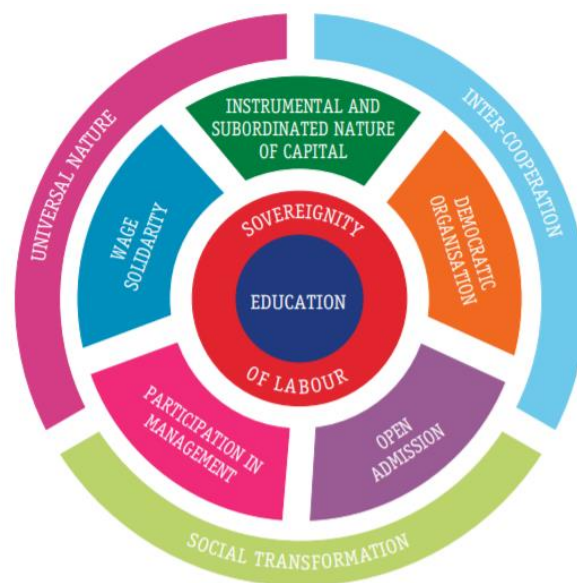


Image 10: Basic principles of management

Retrieved from: 'The cooperative management model - Mondragon Corporation'

Again, these principles are represented in a circular fashion to avoid overweighting one over the other. These 10 principles are set out in the Corporation's own manifesto called 'Corporate Management Model' and it analyses each one of them starting from education as a fundamental element supported by the sovereignty of work involved in the will to intercooperation, seeking universalism focused on positive social transformation.

The central point on which the management model is based is the education of all the people involved in the project through which they are nourished with the knowledge and values necessary to grow as people and as cooperatives. This principle is surrounded by the sovereignty of the workers to guarantee the following principles on which the model is based:

The instrumental and subordinate nature of capital: from the outset, capital is neither the beginning nor the end of cooperatives, but an instrument to support a project, but always dependent on labour. That is why it deserves a remuneration that starts from the recognition of savings. This remuneration, however, has to be limited to its fair proportion in order to avoid mismatches with the allocation made to the remuneration of labour. Moreover, unlike other models, capital is required to have a long-term relationship of real involvement with the cooperative and not as a mere external investor or speculator.

Democratic organisation: the cooperative model rejects any kind of discrimination between people of any kind, so the dissemination of information, integration and the various processes that arise within the company are democratic. In order to satisfy these democratic principles, a hierarchy is configured according to the desired end:

- General Assembly: in which all worker members are represented and have universal suffrage.
- Governing board: responsible for management reporting to the assembly
- Management: they have the management of the cooperative delegated by the members in order to maximize the long-term welfare of the cooperative.

Free membership: as long as the potential partners agree to accept the basic principles and are appropriate for the position in the company to be held, there will be no major inconvenience in incorporating them.

Participation in management: in order for this to happen, the following is established:

- The development of appropriate mechanisms and channels of participation
- Information transparency in relation to the evolution of the basic management variables of the cooperative.
- The practice of methods of consultation and negotiation with worker partners and their social representatives in economic, organisational and labour decisions that concern or affect them.
- The systematic implementation of social and professional training plans for the partners.
- The establishment of internal promotion as a basic route to cover the positions with greater professional responsibility. (Mondragon Corporation, 2012)

Solidarity in remuneration: remuneration must always be sufficient for the worker and in relation to the company's results, as well as internally and externally solidarity. This implies the need to establish wages that are at least consistent with those of similar companies in the sector.

At the last level we find 3 broader principles rounding off the circle: the universal character of cooperatives, intercooperation and social transformation. **Inter-cooperation** is included in the Mondragon Cooperative Experience that we have been talking about, seeking to homogenize the regimes of the cooperatives in order to obtain synergies from this conjunction. In addition, in order to achieve more ambitious objectives, the divisions are constituted as entities superior to the cooperatives in order to increase the common benefit. Involvement with the territory is also sought in order to promote Basque cooperativism, but neither are the cooperative initiatives which may arise in other territories left behind. As far as **social transformation is concerned**, the solidarity which has been mentioned is key and, in this sense, it seeks to be applied to the people on which the cooperatives are based, seeking their freedom, justice and solidarity. This is obtained through initiatives such as the reinvestment of the surpluses derived from the activity of the cooperatives to create new jobs and redistribute wealth, mechanisms such as the Education Fund or Cooperative Promotion, Social Security policies, promoting interconnection with other regional institutions and the strengthening of the Basque language and culture. Finally, the **universal character** is applied to all those who work for democracy and economic solidarity and who fit into the premises of International Cooperativism.

4 – COOPERATIVE MANAGEMENT MODEL FUNCTIONING DETAIL

The cooperative management model has had a later implementation in Navarra but a very big impact. There is a wide variety of cooperatives in the region from very different environments: from the agrarian sector to the industrial one. The cooperative management model, due to its particularities, requires of a concrete legal framework for its correct implementation and its implementation is going to be observed through the example of Mapsa, a local cooperative from the automotive sector.

4.1 Cooperativism in Navarra

Cooperativism is historically late in this region, despite the fact that over time Navarre has become one of its main focuses. Its origin is closely linked to the Catholic agrarian reform movements that have been taking place in Spain since the end of the 19th century. These movements, which were politically conservative, excluded

the possibility of revolution as a means and, as a result, aimed above all at improving living conditions within the existing economic system. (Enciclopedia de Navarra)

It is mainly an agricultural movement that seeks to empower small farmers in Navarre against large landowners. Its main objective is centred on the collectivisation of the *management of the product cultivated in the field*, of its harvests: its commercialisation in groups (agricultural cooperatives) to improve the power of negotiation against large buyers or its elaboration by taking advantage of equipment or machinery in common (wine or oil cooperatives) that seek to improve manufacturing costs and reduce the individual scale of investment. It also serves to improve their purchasing power for fertilizers, machinery, etc., by achieving greater economies of scale. In short, something radically different from the concept of the Soviet agricultural cooperative or Israeli kibbutz, in which both the ownership of the land and its crops are part of the cooperative and not the property of the worker.

It was not until the beginning of the 1970s that industrialisation in Navarre also stimulated the emergence of industrial co-operatives of associated work. The experience of the Mondragón model in the neighbouring province of Guipúzcoa was of great importance and served as a model and inspiration, especially propitious and useful for the reconversion of industrial companies that were suffering from the effects of the country's economic opening to foreign capital and multinationals. Thus, the first cooperatives of a certain size like Cinfa or the agrarian 'AN Group' in 1910, to emerge in the Community served as an alternative to the closure of many factories and, in a large majority of cases, have served not only as a source of job preservation but have today become a core part of local industry.

Today, it is worth highlighting the 'Comprehensive Social Economy Plan' in which the cooperatives in Navarre are included with objectives set for the period 2017-2020 and which is therefore pending renewal. These objectives mainly seek to increase the number of jobs linked to the social economy by around 20%, which would mean the creation of 3,300 new workers or partners in companies with this spirit. To this end, five strategic lines have been established (Navarre's Government, 2017):

- Sustainable Employment
- Social Innovation
- Business Development
- Participatory Governance
- Sectoral Development

This is a priority action plan for the Government of Navarre as it has a budget of 2,828,000 euros in 2017 increased to 4,147,000 euros by 2019, with this figure rising year by year.

But there is no doubt that these figures are more than justified by the impact that this model has on Navarra's economy. The first thing to consider is that currently more than 20,000 jobs are directly linked to the social economy, representing 8.5% of the total number of jobs in the region. Employment also has a clear upward trend, since more than 24% of total jobs were created between 2014 and 2017. These jobs take place in the more than 1,250 companies under this model in the region, and it is significant that in 2017, of the total number of companies created in Navarre, almost 10% will be cooperatives.

With regard to the institutional fabric that favours the development of the social economy in Navarre, there are mainly five entities that are part of CEPES Navarre (Social Economy Business Confederation of Navarre):

- ANEL: Association of social economy companies in Navarre that accompanies both Associated Work Cooperatives and Labour Companies.
- UCAN: Union of Agricultural Cooperatives of Navarra dedicated to the representation of the agro-food cooperatives of Navarra with more than 20,000 members.
- CIS: Labour Integration Centres
- REAS: Network of Alternative and Solidarity Economy Networks.
- Foundations of Navarre: It brings together the foundations of Navarre, being a forum for the promotion of the social economy.



Image 11: List of the different organs of the cooperative. Retrieved from: Corporate Presentation Mapsa S. Coop.

4.2 Legislative framework for the cooperatives in Navarra

When analysing the implementation of the cooperative model to the business initiatives arising under this framework, we have to understand the existing differences at a legal level with the rest of the conventional management models such as the Public Limited Companies S.A. as we find mainly 4 points where there are divergences.

Basic legislative framework of the companies: the cooperatives start from their legal constitution with their own legislative framework, independent from the rest of the commercial companies. Commercial companies are governed by Law 3/2009, of 3 April, on structural modifications to commercial companies, which includes Royal Legislative Decree 1/2010 of 2 July, which approves the revised text of the Law on Capital Companies, while cooperatives are covered by Law 27/1999, of 16 July, on cooperatives. Revision in force since 29 April 2015, which includes Foral Law 14/2016, of 11 December, on Navarre's Cooperatives - Foral Law 2/2015, of 22 January, on Micro-cooperatives of Associated Work.

The next point of divergence is the **registration of statutes and members' agreements**. Conventional entities are obliged to deposit this information in the Register of Companies and Movable Goods of Navarre, while cooperatives have their own register: the Register of Cooperatives of Navarre. When it comes to depositing financial information and the results of the financial years, the two types of model find that the deposits of **annual accounts** are different as, once again, conventional companies use the Navarre Register of Commerce and Movable Goods while cooperatives make use of the Navarre Register of Cooperatives. In fact, requests for financial information from third parties must also be made to these bodies since the management of the information provided by the companies is independent.

Finally, perhaps the difference that is most striking and that has the most implications for companies is that relating to the **regulatory framework of rights and obligations of the worker**. While workers are governed by Royal Legislative Decree 1/1995 of 24 March, which approved the revised text of the **Workers' Statute Act, which is** the most widespread in terms of both volume and knowledge, cooperatives operate independently from each other, since each one establishes its own **Internal Cooperative Regulations**, approved by the General Assembly of each cooperative, replacing the Workers' Statute for all purposes.

<p align="center">Table 1 Comparison of the legislative framework with regard to the organisation, structure, registration and control of accounts, and the company-worker and company-partner-worker relationship in Navarra</p>		
Scope	Public Limited Company	Cooperative
Basic Legislative Framework for Public Limited Companies and Cooperative Societies	Law 3/2009, of 3 April, on structural modifications of commercial companies .	Law 27/1999, of 16 July, on Cooperatives Revision in force since 29 April 2015
	https://www.boe.es/eli/es/l/2009/04/03/3/con	https://www.boe.es/eli/es/l/2015/03/30/2/con
	Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Law on Corporations	Regional Law 14/2006, of 11 December, on Cooperatives in Navarra - Regional Law 2/2015, of 22 January, on Micro-cooperatives for Associated Work
	https://www.boe.es/eli/es/rdlg/2010/07/02/1/con	http://www.lexnavarra.navarra.es/detalle.asp?r=5420 http://www.lexnavarra.navarra.es/detalle.asp?r=35287
Registration of Statutes and Membership Agreements	Navarra's Commercial and Movable Goods Registry	Registry of Cooperatives of Navarra
	https://www.rmbmnavarra.com/	https://www.navarra.es/home_es/Servicios/ficha/2977/Registro-de-Cooperativas-de-Navarra
Annual account deposit	Navarra's Commercial and Movable Goods Registry	Registry of Cooperatives of Navarra
	https://www.rmbmnavarra.com/	https://www.navarra.es/home_es/Servicios/ficha/2977/Registro-de-Cooperativas-de-Navarra
Regulatory framework of worker rights and obligations	Royal Legislative Decree 1/1995, of 24 March, approving the revised text of the Workers' Statute Law	Internal Cooperative Regulations, approved by the General Assembly of each cooperative.
	https://www.boe.es/buscar/act.php?id=BOE-A-2015-11430	https://www.ivap.euskadi.eus/z16-h2home/es/contenidos/informacion/modelos_cooperativas/e_s_modelos/adjuntos/manual_reg_interno.pdf

4.3. - Practical implementation of the management model: Mapsa S. Coop

Once we know the regulatory framework in which cooperatives in Navarra are involved, we can move on to learn about the specific effects that the Cooperative Management Model has on companies. This implementation will be observed through the statutes (mainly observing its organic structure) and through the Internal Cooperative Regime of Mapsa S.Coop. (Manufacturas De Aluminio Pamplona Automotive Sector).

Being part of Mondragon Group, this company has been chosen as an ambassador for a good implementation of the management model mainly because it is a successful company with a great impact on the region and within the framework of a highly competitive sector such as the automotive industry, demonstrating that it is a model capable of competing at the highest levels. In fact, this success is backed by its figures, as it has around 500 workers, a turnover of more than 100 million euros, more than 5 million euros of profit, and a tyre production of more than 2,600,000 units. The election of Mapsa, has been mainly taken up due to several factors. First, due to the personal implications it has which, also, have influenced the election of the topic as my father is currently the CEO of the firm and I have been able to follow the evolution of the firm during the last 10 years. But also, due to the fact that it was not born as a cooperative. It was founded in 1957 belonging until the 80s to the 'Huarte' group. Then, it was acquired by the British corporation 'Parkfield' and it was not until it went bankrupt that it was transformed to a cooperative in order to go out of that situation which has been proved as a solution to their bankruptcy.

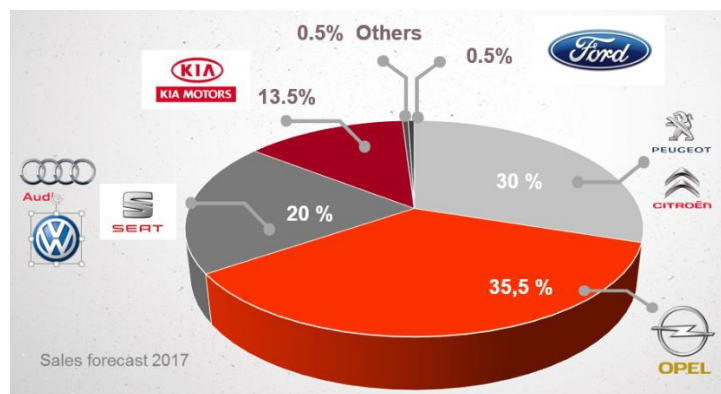


Image 12: Mapsa S.Coop. customers. Retrieved from: Corporate Presentation Mapsa S. Coop.

4.3.1 - Mapsa's Social bodies

Looking at its statutes to analyse the implementation of the management model after the reconversion to the cooperative system, article 1 defines its name and nature: *'Under the name of "MANUFACTURAS DEL ALUMINIO PAMPLONA SECTOR AUTOMATION (MAPSA), S.COOP.LTDA." a cooperative society of associated work is constituted, which as such , groups a group of people with the purpose of promoting their human, economic and social development by means of the exercise of a business activity in the market and with the purpose of attending to the community of their environment. '* (Mapsa's statutes, art-1)

In order to know the implementation of these objectives defined in Article 1, Chapter IV sets out the Organic Structure with which this cooperative is managed, defining 3 main social and management bodies which are the General Assembly, the Governing Council and the Board of Directors led by the Manager. To these is added the specific body of the cooperatives which is the Social Council.

- General Assembly

The General Assembly is the meeting of the members and associates constituted to deliberate and take agreements on the matters within their competence.

All members, including dissidents and non-attendees, shall be subject to the agreements of the General Assembly, without prejudice to those established in Article 42. The General Assembly shall be mainly responsible for examining and censoring the social management, approving the accounts and balance sheet, agreeing on the distribution of surpluses, determining returns and allocating losses, establishing the criteria for the application of the Education and Social Promotion Fund, in accordance with the provisions of these bylaws, and determining the investment policy to be carried out, provided that these exceed 25% of the acquisition value of the fixed assets of the cooperative [...] as well as appointing and revoking the representatives who come from the Cooperative of second or higher degree, mutual benefit societies and supra-structure or intercooperation entities of which the Cooperative is a part, requiring them to account for their management and, where appropriate, establishing the criteria for their action. (*Mapsa's statutes, art-37*)

It is important to know that, as set out in article 40, all the working members and collaborating members have the right to vote at the General Meeting, except in cases of suspension of the right provided for in article 16 of the statutes, with each member having the right to one vote.

The Governing Council

The Governing Council -which shall meet at least once a month- is the representative, governing and managing body of the Cooperative, exercising all the powers in this respect, except those expressly reserved by Law or these Statutes to other corporate bodies. The number of members composing it is proportional to the number of workers and the ratio is chosen by each of the cooperatives. Normally, this election lasts for four years and then it is

renewed. These members of the council have individual votes and the decisions are approved or rejected through a simple majority. It is also important to know that the president has double vote due to his position.

In any case, it has the competence to establish the general guidelines for the action of the Cooperative and to carry out the other acts attributed to it by the legislation in force and the Statutes, such as

- To agree on the admission and withdrawal of members subject to the provisions of the Statutes.
- To appoint the Manager and -on the proposal of the latter- the Department Directors, as well as to dismiss them and set their powers, duties and attributions.
- To decide on issues related to the statutory rights and obligations, labour and disciplinary regime of the partners, professional classification and organisation of work, to approve the basic module one of the labour advances, subject to the provisions of these Statutes.
- To organize, direct and inspect the progress of the Cooperative and to present to the General Assembly the annual and general strategic management plans of the Cooperative.
- To present the Annual Accounts to the Ordinary General Assembly and to propose the distribution of net surpluses or the allocation of losses where appropriate.
- Others. (*Mapsa's statutes, art-43*)

- The General Manager

It is practically identical to that of any public limited company or similar, both in terms of powers and responsibilities. Normally it is a member of the cooperative itself or a person from outside it usually proposed by the Mondragon Corporation when there is no internal candidate.

He is appointed by the Governing Council with the faculties and powers that this council decides, remaining under its permanent control and director.

The director shall have the duties inherent to his position and those arising from the general guidelines for action established by the Governing Council. At least quarterly, he shall present a report on the economic and social situation of the Cooperative to the Governing Council.

It should be noted that, if you are a member of the cooperative itself, you have the same duties and rights as any other member, except that of being a member of the Governing Council for the duration of your mandate as General Manager. If he is dismissed for any reason, he does not lose his status as a worker-member, but will go on to perform the new duties that will be assigned to him, and his remuneration will be adjusted to his new job.

- The Social Council

The Social Council is defined as the body for the permanent participation of the members in the administration of the Cooperative, without prejudice to the functions of the General Assembly and the Governing Council in this respect. Its composition is similar to that of the governing council. The number of members composing is also related to the number of workers and has the same duration. Each of the members has an individual vote too and the president, who is automatically named president of the social council too when named for the governing, has also a double vote.

Consequently, it will have the power to represent the cooperating partners before the internal bodies, becoming the spokesperson for the partners' aspirations. The periodicity of their meetings is normally once per month with the possibility of having extraordinary ones when the circumstances require it but, again, it depends on the Cooperative's statutes.

4.3.2- Mapsa's Internal Cooperative Regime

The Internal Cooperative Regime is developed through the RIC (Internal Cooperative Regulations), whose main objective is to regulate in detail the social-worker/cooperative relational elements which, due to casuistry or simplicity, are not included in the statutes of the very cooperative of which this person is a member. It is the person who regulates in detail the socio-labour relationship between the person and the cooperative.

In this sense, and as a fundamental reflection, and which emerges in every cooperative when dealing with or assessing the approval or implementation of an Internal Regulations to develop the social-labour aspects of the company relationship, it is the one that raises the degree of application or reflection that it should have in the Internal Regulations, the Generic Labour Regulations (Workers' Statute), as well as those contained in the Collective Bargaining Agreement of the sector in which the cooperative carries out its

*activity, due to the unquestionable reflection that the Collective Bargaining Agreements represent in the labour field of the relationship of the partners with the cooperative. In this sense, and as a starting point, we will say, as is known by all and ratified by generally accepted legislation and jurisprudence, that **the relationship of a working or employment partner with his cooperative, although it has labour aspects, is not an employment relationship, but rather a company relationship.***
(Mapsa's Website)

Therefore, it is very important to emphasize that, although they serve as a reference or guide, neither the sector's Collective Bargaining Agreements nor the Workers' Statute itself are in force in worker cooperative societies, so they are not compulsory when developing and implementing Internal Cooperative Regulations.

Law 27/1999, of 16 July 1999, on Cooperatives, which is of a state nature, maintains in its text the following references to the Internal Regulations:

- **Article 11. Content of the Articles of Association.** The bylaws may be developed by means of an *Internal Regime Regulation*.

- **Article 16. Rights of the partners.** Any member of the cooperative may exercise the right to information under the terms provided for in this Law, in the Articles of Association or in the agreements of the General Assembly. The member shall be entitled, at least: a) To receive a copy of the Articles of Association and, if any, of the *Internal Regulations* and their amendments, with express mention of the time when they come into force.

- **Article 21. Powers.** (Of the General Assembly). c) Modification of the Statutes and approval or modification, if appropriate, of the *Internal Regulations of the cooperative*.

- **Article 82. Disciplinary regime.** The Articles of Association or the Internal Regulations shall establish the disciplinary regime of the worker-members, regulating the types of faults that may occur in the provision of work, the sanctions, and the bodies and persons with delegated sanctioning powers.

- **Article 83. Working day, weekly rest, holidays, holidays and leaves.** The Statutes, the Rules of Procedure or, in their absence, the Assembly shall regulate the length of the working day, the minimum weekly rest, the holidays and the annual leave, respecting, in any case, at least the following rules: [...]

5 - CONCLUSIONS

Throughout this Final Degree Project, we have been able to analyse a management model that is not very well known in depth, but which is deeply rooted in our territory.

In its development, we have achieved the objectives we had set ourselves at the beginning of the project:

- To make a description of the model and its functioning scheme.
- Identify its main values and differentiating elements.
- To place it in its legal framework, by comparison with conventional organisations such as capital companies.
- Identify its main representative in our country and in Europe, the Mondragon Corporation.
- Comment on its evolution and development and, finally,
- Describe in detail the application of this model in a specific cooperative in Navarra's industrial environment: MAPSA S. Coop.

Having to deal with a highly competitive environment, both nationally and internationally, it has demonstrated its robustness during the last economic crisis, being the family of cooperatives, which has best resisted not only in terms of number of companies, but also in terms of employment protection. Today, once the crisis has been overcome, it has become an engine of growth and, in percentage terms, the largest generator of quality employment in our community.

The interview with Mr. Íñigo Ucin Azcue, President of the Mondragon Corporation, is revealing in this respect; it allows us to discover many of the reasons why this management model is a remarkable success, not only at the level of business results, but also, and especially, at the level of the people who are part of it and the whole social environment with which the cooperatives interrelate. In fact, from the vision and all the comments Mr. Íñigo Ucin has transmitted to me along the interview, I would like to underline and to make part of these conclusions one that I consider as “the core advice” not only for our professional but also for our whole life: *“Honesty as nuclear quality. If you are honest, you will make things better for your team, your company and everyone connected with it. If you are honest you will communicate better, what you say people will believe more. It is a value that will contribute to generating a better society. But it is also a key value for developing a good professional career.”* (Íñigo Ucin, interview in Mondragon, September 30th, 2020)

Therefore, I understand that having been able to make a first approach to it in this work, it will serve not only to contribute to its dissemination, but also to encourage its study in order to extract all its values and advantages and, suitably adapted, be able to transfer it to other types of organisations with the aim of providing them with the greatest competitive advantage that having all their collective encouraged and aligned in the same direction: *professional progress and personal fulfilment.*

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ANNEX:

1. PERSONAL INTERVIEW TO ÍÑIGO UCÍN AZCUE- PRESIDENT OF MONDRAGON CORPORATION¹

Analysing your career within the Mondragon Group, we see that it is very extensive and can be interpreted as a "success" story. Where did this link with the corporation come from and what does it mean today? What made you decide to stay in the Corporation?

I was not born a cooperativist. I finished my degree in 1983 and the main objective was to find a job. At that time there was no internet or anything like it and you could only be guided by the newspaper ads. I found a job in a cooperative of 80 people in Azkoitia that was part of the Mondragón group. It was a good position, although the circumstances were very hard. What I found at work was very positive and led me to be happy. There was collaboration between the team, a good atmosphere, nice people, although there was everything, of course, but in general the situation was 'nice'. Then that cooperative was integrated into the Danobat Group and eventually absorbed by the Danobat cooperative. I've spent my whole professional career there, and that's precisely because I've always managed to work comfortably. If we assume that we are going to work around 100,000 hours in our lifetime, I think it's essential to find a job where we feel comfortable, otherwise it will be a torment. As I found it, I have stayed, even though I have been invited to change very often. In fact, the "money" part of the pay for managers is more interesting elsewhere, but non-monetary pay is also very important. For me, the cooperative group, the way of acting, the values, the people... have motivated me not to change.

But even if I was comfortable, it was clear to me that I was not going to stay in that initial company. When I started working in that cooperative, I soon told the manager that I was not going to retire there because it was so big and isolated. When I joined the Danobat Group, things changed. If you are alone, you only see your own thing, but if you are in a group, you see much more through the committees, bodies, variety of people.... That intention I expressed to the manager was because I wanted to develop professionally. Fortunately, thanks to the size of the group, I was able to achieve this within the group. From that point on, I have never applied for any position. Each new appointment has been a

¹ This interview took place in Mondragón, the day September the 30th of 2020. With permission of Mr. Ucín I have summarised and translated the most important bits of the interview.

surprise. It is also true that we have never been able to say no... However, I have always prioritised being at ease and, as I have been here, I have not considered the option of changing.

If we move to the more formal sphere of the management model, we can see how related academic articles are beginning to be written and even studied at Harvard Business School. Is the consideration of the person as the central axis of the company exclusive to cooperatives if we also want to maintain the competitiveness of our companies? What elements of the model could be exported to other management models?

I've always been a football fan, but I've never seen it. Even so, I have always been impressed by the way people live the games. Families with scarves, with children... I don't feel that way about football, but I do about my company. One thing that has always bothered me is when people are not able to link up with their company in this way. Instead of trying to move the project forward, they focus on the demands on the company, but when it comes to making efforts, they don't put in the same amount of effort. However, for a football match they are capable of sleeping on a bus, going down to Cadiz to see it and coming back the same day... Not only does the management have to move, each and every one of the people has their responsibility... And precisely for this reason, the company needs the involvement of each and every one of the workers.

In this sense, the cooperative has advantages over other models, although sometimes it can clash with the casuistry of the people. In every cooperative there is a Gaussian bell where there are some who are always for the work and are unconditional, but at the other extreme there are those who if you say 'A' they always say 'B'. The key is in which direction that bell is rung. To the extent that the partner identifies with his company and takes part in the decisions and results, the company's successes will also be those of the worker. That is the key. In Germany, for example, in many companies, you participate in the results as a worker. In a cooperative you go even further. The partner makes the decisions and not only has a share in the results, but also owns the business. It is also true that as cooperatives grow, there is a risk that the link with the decisions of the assembly will start to be broken. But all things being equal, a cooperative is more hooked.

This is especially true in times of crisis. Among the difficulties that this Gaussian campaign has, in general, when bad times come, the collective is "coined" and there is more solidarity.

There are salary reductions, capitalization of salaries, etc., important sacrifices, because these groups understand that they have to defend their cooperative in order to survive.

Taking the example of Germany, if we saw this way of acting more often here, some things would go much better. The fundamental problem here is the mistrust of the business side. If we continue to be anchored in old patterns of class struggle, of the enrichment of the entrepreneur, we are going to get worse. I know of public limited companies here which, although not very successful, have very satisfied workers, although this is not the most usual and there is also the opposite case. And much comes precisely from mistrust, and the belief that the reality of the company's development is not reported. This situation probably comes from history, but it has generated a harmful culture that can compromise the future of companies.

We are facing a more uncertain scenario than ever before due to a health crisis that has triggered a generalised supply crisis and is very likely to culminate in a demand crisis in certain specific sectors. Although the reaction of the various authorities (ECB, ICO, FED, etc.) has helped to mitigate the impact of the pandemic at least in the short term, the economic cost will undoubtedly be very significant. In this context, the cooperatives have all the elements to be able to shine by rowing all the partners in the same direction without leaving anyone behind in order to have a more than dignified way out of the crisis. In fact, Mondragón already has experience in convulsive situations such as the previous crisis. What are the group's main strengths in order to emerge stronger from this situation? What elements learned from the previous crisis are going to be the most decisive?

During the past crisis, there were companies that did very well and others that did not. This crisis will be no different. In fact, some have done very well and have not been able to meet all the orders, but there are others that could even fall. This crisis will affect how the company is, where it is and in what sector it is developing. As an example, we can see the case of aeronautics. All the studies were bullish and even aimed at doubling the market. Now, with most of the planes stopped, the situation has changed, cancelling all previous forecasts. The Group has (which does not mean that we are not going to have problems) the advantage that each company is a Cooperative, which translates into the possibility of establishing mobile calendars, holiday trips, salary reductions, capitalisation of salaries, etc. In short, greater flexibility. But in addition to the mechanisms of the cooperatives themselves, the whole of Mondragon has other solidarity mechanisms; mainly based on the fact that the companies

that earn money leave part for those that lose. This is done through the reconversion of results by division. But beyond the level of each division, the same situation exists in the Corporation as a whole. There are also other mechanisms to carry out studies, feasibility analyses, subsidies to cooperatives for growth, startups, etc. The 'Mondragon Investments' instrument is also added, which would work in a similar way to risk capital.

And very important is also the Lagun Aro system which, apart from covering health care, temporary disability, etc., has the instrument of unemployment coverage. In fact, it is called 'employment aid'. It works in the following way: if there are too many people in a cooperative and another one is lacking, those who don't have a job in one leave the cooperative and relocate wherever they need to. If none of them are in need, unemployment is also covered or reduced hours are given, holidays are moved, early retirements are taken, etc. This means that, in difficult situations, cooperatives can make adjustments more flexibly.

Of course, nothing guarantees that they are unsinkable, but with all the above, a cooperative has greater buoyancy than an ordinary company. Throughout history, no one has been left hanging in the Mondragon corporation. When Fagor fell, 1800 workers lost their jobs, many without qualifications, and none have been left without a solution. Mondragon also takes advantage of the best circumstances to provide resources that will allow it to withstand times of crisis. In addition to the Lagun Aro Fund for employment aid, in 2018 we approved a more demanding rule for distributing results, giving priority to increasing the cooperatives' reserves.

Looking to the future, in the medium and long term, what are the main strategic vectors of the Corporation and to what extent have these been altered by the volatile economic environment that this crisis is leaving us?

Some cooperatives are more likely than others to undertake new activities, but we also have an advocacy centre as well as entities within the divisions. Nowadays, sometimes there is a rather simple way of thinking that can be summed up, I have an idea, it is great and unique and we are going to get rich and then although many of these inventions, however much merit they have, they are not able to sustain a business and succeed. You can see initiatives with very good potential, but being the first with innovation is becoming more and more complicated, which makes it difficult to succeed with startups. It is easier if you incorporate it into something collateral that fits in with what you already have in your companies. That's why we almost always try to get ideas to stick to cooperatives, integrating them into their

orbit. And we also believe a lot in intra-enterprise because even though we know little about the market, the main knowledge of it comes from the companies that are already in it.

Finally, with regard to the academic world and more specifically the students of the Public University of Navarre, what message would you like to convey to us with regard to our future professional and personal activity, in a world in which values such as solidarity are constantly being called into question in order to favour almost exclusively competitiveness and economic success?

Honesty. If you are honest, you will make things better for your team, your company and all those who relate to it. If you are honest you will communicate better, what you say people will believe more. It is a value that will contribute to generating a better society. But it is also a key value for developing a good professional career.

Another determining factor is going to be lifelong learning and continuous training. Times have changed and having a degree is no longer enough. Furthermore, it is necessary to be in the world and combine it with good relational skills. Being with other people, other companies, etc. You or your company cannot be the best at everything. You need to rely on others and learn from them to respond to opportunities in increasingly shorter time windows.

The economic objective of what you do will 'come'. It is a mistake when you are young to think about economics in the short term. A job with less learning, even if it is better paid, is much worse than a good job with more learning, even if it is less paid. It is better to be in a company with the possibility of growing, seeing things, learning, etc. than to be in one where you get paid more and only see routine. It is necessary to understand what a company is from a global perspective but also to always be open to listening to people, understanding them and learning from them.
